

APPROVAL BY THE IU REGULATORY AUTHORITIES

OF

**THE IRELAND-UK (IU) TSO PROPOSAL FOR THE
REGIONAL DESIGN OF LONG TERM TRANSMISSION
RIGHTS**

11 October 2017

I. Introduction and legal context

This document elaborates an opinion of the Ireland-UK (IU) Regulatory Authorities, agreed on 11 October 2017 on the IU TSO Proposal for the regional design of long-term transmission rights (LTTR proposal) submitted in accordance with Article 31 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation (Regulation 2016/1719).

This agreed opinion of the IU Regulatory Authorities shall provide evidence that a decision on the LTTR proposal does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of the Regulation 2016/1719. It is intended to constitute the basis on which the IU Regulatory Authorities will each subsequently make national decisions pursuant to Article 4(9) to approve the LTTR proposal, submitted by TSOs in line with Article 4(7)(c) of Regulation 2016/1719.

The legal provisions that lie at the basis of the LTTR proposal, and this IU Regulatory Authority agreed opinion of the LTTR proposal, can be found in Article 3, 4 and 31 of Regulation 2016/1719. They are set out here for reference.

Article 3 of Regulation 2016/1719:

This Regulation aims at:

- (a) promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- (b) optimising the calculation and allocation of long-term cross-zonal capacity;*
- (c) providing non-discriminatory access to long-term cross-zonal capacity;*
- (d) ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- (e) respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- (f) ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

Article 4 of Regulation 2016/1719

- 1. TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of these terms and conditions or methodologies.*

[...]

- 5. Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7.*
- 6. (...)*

7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:*
 - a. (...)
 - b. (...)
 - c. *the regional design of long-term transmission rights pursuant to Article 31;*
 - d. (...)
 - e. (...)
8. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
9. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6 and 7, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
10. (...)
11. (...)
12. (...)
13. *TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 7.*

Article 31 of Regulation 2016/1719:

Regional design of long-term transmission rights

1. *Long-term cross-zonal capacity shall be allocated to market participants by the allocation platform in the form of physical transmission rights pursuant to the IUOSI principle or in the form of FTRs – options or FTRs – obligations.*
2. *All TSOs issuing long-term transmission rights shall offer long-term cross-zonal capacity, through the single allocation platform, to market participants for at least annual and monthly time frames. All TSOs in each capacity calculation region may jointly propose to offer long-term cross-zonal capacity on additional time frames.*
3. *No later than six months after the entry into force of this Regulation, TSOs in each capacity calculation region where long-term transmission rights exist shall jointly develop a proposal for the regional design of long-term transmission rights to be issued on each bidding zone border within the capacity calculation region.*

No later than six months after the coordinated decisions of the regulatory authorities of the bidding zone border to introduce long-term transmission rights pursuant Article 30(2), TSOs of the concerned capacity calculation region, shall jointly develop a proposal for the regional design of long-term transmission rights to be issued on each bidding zone border within the concerned capacity calculation region.

Regulatory authorities of Member States in which the current regional design of long-term transmission rights is part of a TSO cross-border re-dispatch arrangement for the purpose of ensuring that operation remains within operational security limits may decide to maintain physical long-term transmission rights on its bidding zone borders.

4. *The proposals referred to in paragraph 3 shall include a time schedule for implementation and at least the description of the following items specified in the allocation rules:*
 - a. *type of long-term transmission rights;*
 - b. *forward capacity allocation time frames;*
 - c. *form of product (base load, peak load, off-peak load);*
 - d. *the bidding zone borders covered.*
5. *The proposals shall be subject to consultation in accordance with Article 6. For the proposed long-term transmission rights to be issued, each TSO shall duly consider the result of the consultation.*
6. *The allocation of physical transmission rights and FTRs – options in parallel at the same bidding zone border is not allowed. The allocation of physical transmission rights and FTRs – obligations in parallel at the same bidding zone border is not allowed.*
7. *A review of long-term transmission rights offered on a bidding zone border may be launched by:*
 - a. *all regulatory authorities of the bidding zone border, at their own initiative; or*
 - b. *all regulatory authorities of the bidding zone border based upon a recommendation from the Agency or joint request by all TSOs of the concerned bidding zone border.*
8. *All TSOs in each capacity calculation region shall be responsible for undertaking the review as provided for in paragraph 9.*
9. *Each TSO involved in the review of long-term transmission rights shall:*
 - a. *assess the offered long-term transmission rights taking into account the characteristics in paragraph 4;*
 - b. *if considered necessary, propose alternative long-term transmission rights, taking into account the result of the assessment in subparagraph (a);*
 - c. *carry out a consultation in accordance with Article 6 regarding:*
 - i. *the results of the assessment of the offered long-term transmission rights;*
 - ii. *if applicable, the proposal for alternative long-term transmission rights.*

10. Following the consultation referred to in paragraph 9(c) and within three months of the issuance of the decision to launch a review, the TSOs of the capacity calculation region concerned shall jointly submit a proposal to the competent regulatory authorities to maintain or amend the type of long-term transmission rights.

II. The IU TSO proposal

The LTTR proposal was consulted on by the IU TSOs through ENTSO-E for one month from 8 February 2017 to 8 March 2017, in line with Articles 6 and 31 of Regulation 2016/1719.¹ The final IU TSO LTTR proposal, dated 13 April 2017, was received by the last Regulatory Authority concerned on 13 April 2017. The proposal includes proposed timescales for its implementation and TSOs have provided a description of its expected impact on the objectives of Regulation 2016/1719, in line with Article 4(8) of Regulation 2016/1719.

Article 4(9) of the Regulation 2016/1719 requires IU Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach agreement, and make decisions within six months following receipt of submissions of the last Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 13 October 2017.

Regulatory Authorities' understanding of the LTTR proposal is that TSOs propose to introduce financial transmission rights – options (FTR – options) on the Great British : Irish Single Energy Market (GB:SEM) bidding zone border once the I-SEM project² goes live. TSOs propose to offer yearly calendar, yearly non-calendar, seasonal, quarterly and monthly time frames for base load products on this bidding zone border. In addition, we understand that TSOs may offer peak load and off-peak load products for delivery from 2020.

¹ The public consultation held 8 February 2017 to 8 March 2017 is available on the ENTSO-e website: <https://consultations.entsoe.eu/markets/iu-ireland-uk-regional-design-of-long-term-transmi/>.

² As per the TSO LTTR proposal: I-SEM is the name given to the project to redesign the single electricity market on the island of Ireland in order to implement the European target model for electricity in accordance with EU Directive 2009/72/EC, Regulation (EC) 713/2009, and Commission Regulations (EU) 2015/1222 and 2016/1719.

III. IU Regulatory Authority position

Regulation 2016/1719 requires TSOs to determine the most appropriate type of long-term transmission rights offered on each bidding zone border within a capacity calculation region³. The proposal should outline the product type, form, time frame and the time schedule for implementation.

The IU Regulatory Authorities are of the opinion that the proposal complies with these requirements. The proposal is transparent for market participants, and TSOs have demonstrated that they have taken stakeholder opinions into consideration in the final drafting of the proposal.

The IU Regulatory Authorities welcome the IU TSOs' anticipated consultation on products offered on the GB:SEM bidding zone border two years from implementation and their plan to introduce weekly products at that time. The LTTR proposal might therefore need to be updated in the future. IU Regulatory Authorities expect IU TSOs will then request an amendment of the current LTTR proposal pursuant to Article 4(12) of Regulation 2016/1719. The amended proposal will be consulted in accordance with Articles 6 and 31(7) to (10) of Regulation 2016/1719, as recalled in Article 7(1) of the proposal.

Conclusions

The IU Regulatory Authorities welcome the LTTR proposal. IU Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach agreement that the LTTR proposal meets the requirements of Regulation 2016/1719 and as such can be approved by the IU Regulatory Authorities.

The IU Regulatory Authorities must therefore make their decisions, on the basis of this agreement, by 13 October 2017. The LTTR proposal should therefore be adopted by 13 October 2017.

Following national decisions by the IU Regulatory Authorities, IU TSOs will be required to publish the LTTR proposal on the internet in line with Article 4(13) of Regulation 2016/1719, and must meet the implementation deadlines required by Article 8 of the LTTR proposal.

³ As per Article 2(3) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management: A capacity calculation region means the geographic area in which coordinated capacity calculation is applied. This definition also applies to Regulation 2016/1719.